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15 December 1953

MEMORANDUM FOR: Director of Central Intelligence
THROUGH : Deputy Director for Intelligence
FROM : Assistant Director for Research and Reports
SUBJECT : Comments on Information on China - West Trade Released to
Senator McCarthy

1. It has been reported that Senator McCarthy was furnished the following information:

a. Commerce

Information on recorded trade has been given verbally to Senator McCarthy by the Commerce Department. This information is included with other trade data in the FOA paper mentioned below in paragraph 2.

b. Navy (ONI)

ONI transmitted a table to Senator McCarthy showing non-Communist flag vessels involved in trade with Communist China broken down by flag for the period April - October 1953. (TAB A) However, Senator McCarthy, in a TV program, "Meet the Press", on 13 December, cited figures for ships involved in trade with China for the entire period January - October 1953, and it is clear that he must have had data for January to March 1953 as well.

2. FOA has advised O/RR that a report on China trade was sent to the White House last week on an unclassified basis. We do not know whether this report was actually released to Senator McCarthy, but FOA clearly indicated that it would be permissible. In any event, the information will be released to the press this week. This document contains information on recorded Free World exports to Communist China in 1952 and first half of 1953 broken down by countries, the monthly totals of Free World exports to Communist China for 1952 and January - August 1953, and total involvement of Western flag vessels calling at Red Chinese ports per month for 1951, 1952, and January - October 1953. (TAB B)

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3. For the most part, figures in the aforementioned reports agree with figures for recorded trade which CIA has derived from unclassified sources. While classified reports on Communist China trade with the Western nations consist largely of unclassified information on recorded trade, these reports do contain fragmentary information on unrecorded trade from classified sources. For this reason, intelligence studies have higher estimates of this trade than presented in the FOA and Commerce reports. The last [redacted] intelligence report on this subject [redacted] estimated this trade for 1952 to be about \$70 million higher than reported by FOA, and this difference is attributable to the \$70 million estimate for unrecorded trade in the [redacted] study. Regarding estimates of exports from Communist China to the West, intelligence estimates are somewhat lower as a result of the elimination of certain double counting involved in the official figures.

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4. While the figures available to Senator McCarthy regarding "involvement" of non-Communist flag vessels in Chinese Communist trade do not differ significantly from intelligence on this subject, the Senator has distorted these figures in presenting them to the public. The expression "number of vessels involved" includes, in this case, those vessels en route to or from Communist Chinese ports and those actually in these ports during a specified time period. This concept is used to measure the shipping directly occupied in Communist Chinese sea-borne trade. On the "Meet the Press" TV show, Senator McCarthy stated that 1,051 non-Communist flag vessels were "involved" in this trade during the first ten months of 1953. He obtained this figure by adding up the monthly involvement figures. This total figure has no significance whatsoever in that "involvement" is intended to measure the shipping in the trade at any one period of time and to add the monthly figures for ten months is simply to include the same vessel in the total several times over. If, for example, we were to add up the monthly involvement figures for non-Communist vessels for 1952, we would have a total of approximately 900 vessels involved, when actually the number of individual non-Communist vessels involved were only about 200. This gives some idea of the distortion involved for the first ten months of 1953.

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OTTO E. GUTHE

RR/S: [redacted] jmc (15 Dec 1953)

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